

Regular Session, 2011

HOUSE BILL NO. 530

BY REPRESENTATIVE PEARSON

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

RETIREMENT/STATE SYSTEMS: Relative to state retirement systems, increases employee contributions and average compensation for calculation of benefits

1 AN ACT

2 To amend and reenact R.S. 11:102(B)(1), (2)(b)(ii), 403(5), 450(B), 531(A)(1)(c), 612(1),  
3 701(5)(b) through (e), 1304(1), 1310(A), and 1345.2(1) and to enact R.S. 11:63 and  
4 701(5)(f), relative to state retirement systems; to provide with respect to employee  
5 and employer contributions; to provide with respect to benefit calculation; to provide  
6 with respect to system funding; to provide an effective date; and to provide for  
7 related matters.

8 Notice of intention to introduce this Act has been published  
9 as provided by Article X, Section 29(C) of the Constitution  
10 of Louisiana.

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 11:102(B)(1), (2)(b)(ii), 403(5), 450(B), 531(A)(1)(c), 612(1),  
13 701(5)(b) through (e), 1304(1), 1310(A), and 1345.2(1) are hereby amended and reenacted  
14 and R.S. 11:63 and 701(5)(f) are hereby enacted to read as follows:

15 §63. Additional employee contributions; certain state retirement systems

16 A. The provisions of this Section shall apply to the following members of  
17 state retirement systems:

18 (1) Members of the Louisiana State Employees' Retirement System.

19 (2) Any member of the Teachers' Retirement System of Louisiana who is an  
20 academic or administrative employee of a public institution of higher education, or

who is an employee of the Board of Regents, the Board of Trustees for State Colleges and Universities, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, the Board of Supervisors of Southern University and Agricultural and Mechanical College, or their successors, or any other constitutionally established board which manages institutions of higher education.

(3). Any member of the State Police Pension and Retirement System.

B. For any fiscal year in which the aggregate actuarially required employer contribution rate of a system listed in Subsection A of this Section is twenty-three percent or higher, the employee contribution rate as provided in R.S. 11:62 for any member to whom this section applies shall be increased by the following amount:

(1) One and one-half percent of the amount of such member's annual earned compensation below fifty thousand dollars, which amount shall be pro-rated into equal amounts and remitted to the appropriate system withing the same pay periods as any employee contributions required by R.S. 11:62; and

(2) Three percent of the amount of such member's annual earned compensation equal to or greater than fifty thousand dollars, which amount shall be pro-rated into equal amounts and remitted to the appropriate system within the same pay periods as any employee contributions required by R.S. 11:62.

\* \* \*

§102. Employer contributions; determination; state systems

\* \* \*

B.(1)(a) Except as provided in Subsection C of this Section for the Louisiana State Employees' Retirement System and except as provided in R.S. 11:102.1 and 102.2 and in Paragraph (5) of this Subsection, for each fiscal year, commencing with Fiscal Year 1989-1990, for each of the public retirement systems referenced in Subsection A of this Section, the legislature shall set the required employer contribution rate equal to the actuarially required employer contribution, as determined under Paragraph (3) of this Subsection, divided by the total projected

payroll of all active members of each particular system for the fiscal year. ~~Each~~  
~~Except as provided in Subparagraph (b) of this Paragraph, each~~ entity funding a  
 portion of a member's salary shall also fund the employer's contribution on that  
 portion of the member's salary at the employer contribution rate specified in this  
 Subsection.

(b) For any fiscal year in which employee contributions for the Louisiana  
State Employees' Retirement System, the Teachers' Retirement System of Louisiana,  
or the State Police Pension and Retirement System are increased pursuant to R.S.  
11:63, the employer contribution for each portion of a member's salary funded from  
a source other than state general funds shall be paid at the employer contribution rate  
specified in this Subsection. The employer contribution for the portion of a  
member's salary funded from state general funds shall be paid at the rate specified  
in this Subsection reduced to reflect the increase in employee contributions payable  
pursuant to R.S. 11:63. The dollar amount received by the system in any fiscal year  
representing the difference between the employer rate applied to general fund dollars  
and the employer rate applied to non-general fund dollars shall be applied to the  
Original Amortization Base as provided in R.S. 11:102.1(B) for the Louisiana State  
Employees' Retirement System and R.S. 11:102.2(B) for the Teachers' Retirement  
System of Louisiana. For the State Police Pension and Retirement System such  
amount shall be applied to the oldest existing amortization base of such system in a  
given fiscal year.

\* \* \*

(2)(b)

\* \* \*

(ii) Except as provided in Paragraph (5) of this Subsection, annual  
 contributions required in accordance with this Subsection, or the constitutional  
 minimum if greater, may be funded in whole or in part from the employer credit  
 account, provided the employee contribution rate or rates for the system as set forth  
 in R.S. 11:62, ~~or R.S. 11:63 if applicable,~~ has or have been reduced to an amount

1 equal to or less than fifty percent of the annual normal cost for the system or the plan  
2 as provided in Subsection C of this Section, rounded to the nearest one-quarter  
3 percent.

4 \* \* \*

5 §403. Definitions

6 The following words and phrases used in this Chapter shall have the  
7 following meanings, unless a different meaning is clearly required by the context:

8 \* \* \*

9 (5)(a)(i) ~~"Average compensation", for a member whose first employment~~  
10 ~~making him eligible for membership in the system began on or before June 30, 2006,~~  
11 ~~and for any person who receives an additional benefit pursuant to R.S.~~  
12 ~~11:444(A)(2)(b) or (c), 557, 582, or 602 or R.S. 24:36 whose first employment~~  
13 ~~making him eligible for membership in one of the state systems occurred on or~~  
14 ~~before December 31, 2010, means the average annual earned compensation of a state~~  
15 ~~employee for the thirty-six highest months of successive employment, or for the~~  
16 ~~highest thirty-six successive joined months of employment where interruption of~~  
17 ~~service occurred; however, average compensation for part-time employees who do~~  
18 ~~not use thirty-six months of full-time employment for average compensation~~  
19 ~~purposes shall be based on the base pay the part-time employee would have received~~  
20 ~~had he been employed on a full-time basis.~~

21 (ii) ~~The earnings to be considered for the thirteenth through the~~  
22 ~~twenty-fourth month shall not exceed one hundred twenty-five percent of the~~  
23 ~~earnings of the first through the twelfth month. The earnings to be considered for the~~  
24 ~~final twelve months shall not exceed one hundred twenty-five percent of the earnings~~  
25 ~~of the thirteenth through the twenty-fourth month. Nothing in this Subparagraph,~~  
26 ~~however, shall change the method of determining the amount of earned~~  
27 ~~compensation received.~~

28 (b)(i) ~~"Average compensation", for a member whose first employment~~  
29 ~~making him eligible for membership in the system began on or after July 1, 2006,~~

1 ~~and subject to the limitations provided in this Subparagraph,~~ means the average  
2 annual earned compensation of a ~~state employee~~ member for the sixty highest  
3 months of successive employment or for the highest sixty successive joined months  
4 of employment where interruption of service occurred; however, average  
5 compensation for part-time employees who do not use sixty months of full-time  
6 employment for average compensation purposes shall be based on the base pay the  
7 part-time employee would have received had he been employed on a full-time basis.  
8 ~~This Item shall also be applicable to any judge, court officer, governor, lieutenant~~  
9 ~~governor, clerk or sergeant-at-arms of the House of Representatives, secretary or~~  
10 ~~sergeant-at-arms of the Senate, or state treasurer whose first employment making~~  
11 ~~him eligible for membership in one of the state systems occurred on or after January~~  
12 ~~1, 2011.~~

13 (ii) (b) The member's earnings to be considered ~~for persons to whom Item (i)~~  
14 ~~of this Subparagraph applies~~ for the thirteenth through the twenty-fourth month shall  
15 not exceed one hundred ~~fifteen~~ and five percent of the earnings of the first through  
16 the twelfth month. The earnings to be considered for the twenty-fifth through the  
17 thirty-sixth month shall not exceed one hundred ~~fifteen~~ and five percent of the  
18 earnings of the thirteenth through the twenty-fourth month. The earnings to be  
19 considered for the thirty-seventh through the forty-eighth month shall not exceed one  
20 hundred ~~fifteen~~ and five percent of the earnings of the twenty-fifth through the thirty-  
21 sixth month. The earnings for the final twelve months shall not exceed one hundred  
22 ~~fifteen~~ and five percent of the earnings of the thirty-seventh through the forty-eighth  
23 month. The limitations on the computation of average compensation contained in  
24 this ~~Item~~ Subparagraph shall not apply to any twelve-month period during which  
25 compensation increased by more than ~~fifteen~~ five percent over the previous twelve-  
26 month period solely because of an increase in compensation by a uniform  
27 systemwide increase adopted by the state Department of Civil Service and approved  
28 by the governor or because of a pay adjustment enacted by the legislature. ~~This Item~~  
29 ~~shall also be applicable to any judge, court officer, member of the Louisiana~~

1        ~~Legislature, governor, lieutenant governor, clerk or sergeant-at-arms of the House~~  
2        ~~of Representatives, secretary or sergeant-at-arms of the Senate, or state treasurer~~  
3        ~~whose first employment making him eligible for membership in one of the state~~  
4        ~~systems occurred on or after January 1, 2011.~~

5                ~~(iii) The provisions of this Subparagraph shall not apply to any person who~~  
6        ~~receives an additional benefit pursuant to R.S. 11:444(A)(2)(b) or (c), 557, 582, or~~  
7        ~~602 or R.S. 24:36 whose first employment making him eligible for membership in~~  
8        ~~one of the state systems occurred on or after January 1, 2011.~~

9                                \*           \*           \*

10       §450. Termination of participation

11                                \*           \*           \*

12                B. Upon termination of participation in the plan but not employment, credits  
13        to the account shall cease and no retirement benefits shall be paid to the participant  
14        until employment is terminated. The balance in the participant's subaccount shall be  
15        placed in a self-directed subaccount in the name of the participant as provided for in  
16        R.S. 11:451.1, and the participant shall then be bound by the provisions of said  
17        Section. No payment shall be made based on credits in the subaccount until  
18        employment is terminated as defined in this Section. The participant may continue  
19        employment after termination of participation in the plan for the sole purpose of  
20        accruing a supplemental benefit, and employer and employee contributions shall  
21        resume. ~~Correction officers, probation and parole officers, and security officers of~~  
22        ~~the Department of Public Safety and Corrections; peace officers of the Department~~  
23        ~~of Public Safety and Corrections, office of state police, other than state troopers, as~~  
24        ~~provided in R.S. 11:444(A)(2)(b); and personnel employed by the Department of~~  
25        ~~Revenue, office of alcohol and tobacco control, as provided in R.S. 11:444(A)(2)(c);~~  
26        ~~who have ended their participation in the Deferred Retirement Option Plan but not~~  
27        ~~employment shall make contributions at the rate established in R.S. 11:62(5)(b).~~

28                                \*           \*           \*

29       §531. Monthly retirement report; employer and employee contributions

1           A.(1) Each agency employing members of the system shall submit a certified  
2           monthly retirement report to the board of trustees containing the following  
3           information:

4                                   \*           \*           \*

5           (c) The individual employee contributions equal to the percentage of the  
6           earned compensation of the employee as established by R.S. 11:62(5) and R.S. 11:63  
7           as applicable for the appropriate employee, which the employer shall cause to be  
8           deducted from the salary of each member on each and every payroll of the employee  
9           for each and every payroll period. This amount shall conform to Article X, Section  
10          29(E)(2)(a) of the Constitution of Louisiana.

11                                   \*           \*           \*

12          §612. Application; definitions

13           Terms not specifically defined in this Section shall have the meanings  
14           provided in R.S. 11:403 unless a different meaning is clearly required by the context.

15          For purposes of this Subpart:

16           (1) "Average compensation" ~~means the average annual earned compensation~~  
17           ~~of a member for the sixty highest months of successive employment, or for the~~  
18           ~~highest sixty successive joined months of employment where interruption of service~~  
19           ~~occurred; however, average compensation for part-time employees who do not use~~  
20           ~~sixty months of full-time employment for average compensation purposes shall be~~  
21           ~~based on the base pay the part-time employee would have received had he been~~  
22           ~~employed on a full-time basis. The earnings to be considered for the thirteenth~~  
23           ~~through the twenty-fourth month shall not exceed one hundred fifteen percent of the~~  
24           ~~earnings of the first through the twelfth month. The earnings to be considered for the~~  
25           ~~twenty-fifth through the thirty-sixth month shall not exceed one hundred fifteen~~  
26           ~~percent of the earnings of the thirteenth through the twenty-fourth month. The~~  
27           ~~earnings to be considered for the thirty-seventh through the forty-eighth month shall~~  
28           ~~not exceed one hundred fifteen percent of the earnings of the twenty-fifth through~~  
29           ~~the thirty-sixth month. The earnings for the final twelve months shall not exceed one~~

1 hundred fifteen percent of the earnings of the thirty-seventh through the forty-eighth  
2 month. The limitations on the computation of average compensation contained in  
3 this Paragraph shall not apply to any twelve-month period during which  
4 compensation increased by more than fifteen percent over the previous twelve-month  
5 period solely because of an increase in compensation by a uniform systemwide  
6 increase adopted by the state Department of Civil Service and approved by the  
7 governor or because of a pay adjustment enacted by the legislature. shall be defined  
8 as provided in R.S. 11:403.

9 \* \* \*

10           §701. Definitions

As used in this Chapter, the following words and phrases have the meanings ascribed to them in this Section unless a different meaning is plainly required by the context:

14 \* \* \*

15 (5)

16 \* \* \*

(b) "Average compensation", for any member who is an academic or administrative employee of a public institution of higher education, or who is an employee of the Board of Regents, the Board of Trustees for State Colleges and Universities, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, or the Board of Supervisors of Southern University and Agricultural and Mechanical College, or their successors, or any other constitutionally established board which manages institutions of higher education, means his average earnable compensation for the five highest successive years of employment, or the highest five successive joined years where interruption of service occurred. The computation of such average compensation shall be in accordance with the following guidelines:



1           (i) The amount for the first through the twelfth month shall not exceed the  
2           compensation for the immediately preceding twelve months by more than five  
3           percent.

4           (ii) The amount for the thirteenth through the twenty-fourth month shall not  
5           exceed the lesser of the maximum allowable compensation amount or the actual  
6           compensation amount for the first through twelfth month by more than five percent

7           (iii) The amount for the twenty-fifth through the thirty-sixth month shall not  
8           exceed the lesser of the maximum allowable compensation amount or the actual  
9           compensation amount for the thirteenth through twenty-fourth month by more than  
10          five percent.

11          (iv) The amount for the thirty-seventh through the forty-eighth month shall  
12          not exceed the lesser of the maximum allowable compensation amount or the actual  
13          compensation amount for the twenty-fifth through the thirty-sixth month by more  
14          than five percent.

15          (v) The amount for the final twelve months shall not exceed the lesser of the  
16          maximum allowable compensation amount or the actual compensation amount for  
17          the thirty-seventh through the forty-eighth month by more than five percent.

18          (c) The thirty-six or sixty months used for average compensation, as the case  
19          may be, cannot cover a period when the member receives more than three years or  
20          five years of service credit respectively.

21          ~~(c)~~ (d)(i) The limitations on the computation of average compensation in this  
22          Paragraph shall not apply to any of the twelve-month periods where compensation  
23          increased by more than the amount allowable in Subparagraph (a) of this Paragraph  
24          over the previous twelve-month period solely because of an increase in  
25          compensation by legislative act, by city/parish systemwide salary increase, or by a  
26          systemwide increase at a college or university.

27          (ii) Any active member or retiree whose average compensation includes or  
28          would include earnable compensation received between June 30, 1995 and June 30,  
29          1997, as the result of a legislative act, a city/parish systemwide salary increase, or

1 a systemwide increase at a college or university shall have his average compensation  
2 calculated without regard to the limitations on the computation of average  
3 compensation imposed in this Paragraph for that period. The provisions of this Item  
4 shall only apply to any such member or retiree whose employer filed with this  
5 system on or before July 1, 1998, a written request or application for coverage under  
6 this Subparagraph.

7 (iii) Any retiree to whom Item (ii) of this Subparagraph applies, whose  
8 benefits are based, or by reason of Item (ii) of this Subparagraph would be based, on  
9 a calculation of average compensation which includes earnable compensation  
10 between June 30, 1995, and June 30, 1997, shall have his benefits recalculated in  
11 accordance with this Subparagraph and, if an increase in benefits results, the retiree  
12 shall be paid such an amount to restore any prior benefits that would have been paid  
13 if the benefits had originally been calculated in accordance with this Subparagraph.

14 ~~(d)~~ (e) Provided, however, in any case where a classroom teacher changes  
15 employment to that of a classroom teacher in another parish, the amount for the  
16 twelve months of earnings in the position of a classroom teacher in the second parish  
17 of employment shall not exceed the compensation for the immediately preceding  
18 twelve months by more than twenty-five percent.

19 ~~(e)~~ (f) Notwithstanding any other provision of law to the contrary, "average  
20 compensation" shall not include any amount in excess of the limitation provided in  
21 R.S. 11:785.1.

22 \* \* \*

23 §1304. Composition of fund

24 The fund exists in the state treasury and is composed of the following:

25 (1) Monthly payments made by all sworn, commissioned law enforcement  
26 officers of the office of state police of the Department of Public Safety and  
27 Corrections, of seven percent of their monthly salaries, prior to July 1, 1989, and  
28 beginning July 1, 1989, in accordance with R.S. 11:62(10) and R.S. 11:63 as

applicable. The aggregate amount paid each month by these officers shall be credited by the state treasurer to the system.

\* \* \*

§1310. Average salary; method of determining

A.(1) ~~With respect to persons employed prior to September 8, 1978, the term "average salary" as used in this Chapter for the purpose of determining pension payments and retirement is the average salary including any additional pay or salary provided by the legislature over and above that set by the Civil Service Commission, received for the year ending on the last day of the month immediately preceding the date of retirement or date of death or for any one-year period, whichever is the greatest. For the purposes of computation, "average salary" shall not include overtime, expenses, or clothing allowances.~~

~~(2)(a) With respect to persons becoming employed on and after September 8, 1978, and whose first employment making them eligible for membership in one of the state systems occurred on or before December 31, 2010, the~~ The term "average salary" as used in this Chapter for the purpose of determining pension payments and retirement is the average salary including any additional pay or salary provided by the legislature over and above that set by the Civil Service Commission, received for the ~~thirty-six~~ sixty month period ending on the last day of the month immediately preceding the date of retirement or date of death or for any ~~thirty-six~~ sixty consecutive months, whichever is the greatest. For the purposes of computation, "average salary" shall not include overtime, expenses, or clothing allowances.

(b)(2) The earnings to be considered for the thirteenth through the twenty-fourth month shall not exceed one hundred ~~twenty-five~~ and five percent of the earnings of the first through the twelfth month. The earnings to be considered for the final twelve months shall not exceed one hundred ~~twenty-five~~ and five percent of the earnings of the thirteenth through the twenty-fourth month. Nothing in this Subparagraph, however, shall change the method of determining the amount of earned compensation received.

\* \* \*

§1345.2. Application; definitions

Terms not specifically defined in this Section shall have the meanings provided in R.S. 11:1301 unless a different meaning is clearly required by the context. For purposes of this Part:

(1) "Average compensation" ~~means the average annual earned compensation of a member for the sixty highest months of successive employment, or for the highest sixty successive joined months of employment where interruption of service occurred; however, average compensation for part-time employees who do not use sixty months of full-time employment for average compensation purposes shall be based on the base pay the part-time employee would have received had he been employed on a full-time basis. The earnings to be considered for the thirteenth through the twenty-fourth month shall not exceed one hundred fifteen percent of the earnings of the first through the twelfth month. The earnings to be considered for the twenty-fifth through the thirty-sixth month shall not exceed one hundred fifteen percent of the earnings of the thirteenth through the twenty-fourth month. The earnings to be considered for the thirty-seventh through the forty-eighth month shall not exceed one hundred fifteen percent of the earnings of the twenty-fifth through the thirty-sixth month. The earnings for the final twelve months shall not exceed one hundred fifteen percent of the earnings of the thirty-seventh through the forty-eighth month. The limitations on the computation of average compensation contained in this Paragraph shall not apply to any twelve-month period during which compensation increased by more than fifteen percent over the previous twelve-month period solely because of an increase in compensation by a uniform systemwide increase adopted by the state Department of Civil Service and approved by the governor or because of a pay adjustment enacted by the legislature.~~ shall be defined as provided in R.S. 11:1310.

\* \* \*

1           Section 3. The provisions of R.S. 11:403(5), 612(1), 701(5), 1310(A), and 1345.2(1)  
2 as amended by this Act shall not cause the average compensation of any member retiring on  
3 or after the effective date of this Act to be less than such member's average compensation  
4 as it existed before the effective date of this Act.

5           Section 4. This Act shall become effective on July 1, 2011; if vetoed by the governor  
6 and subsequently approved by the legislature, this Act shall become effective on July 1,  
7 2011, or on the day following such approval by the legislature, whichever is later.

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#### DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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Pearson

HB No. 530

**Abstract:** Relative to the La. State Employees' Retirement System (LASERS), the Teachers' Retirement System of La. (TRSL), and the State Police Pension and Retirement System (STPOL), increases employee contributions, changes from a 3-year to a 5-year Final Average Compensation (FAC), and provides for more restrictive "anti-spiking" provisions for state employees, higher education employees, and state troopers. Provides for payment of Unfunded Accrued Liability (UAL).

#### EMPLOYEE CONTRIBUTIONS

Present law (R.S. 11:62) establishes the employee contribution rates in the following amounts for members of LASERS, TRSL, and STPOL:

##### I. LASERS

- (1) LASERS: Rank-and-file state employees - 7.5% if first employed on or before June 30, 2006; 8% if first employed on or after July 1, 2006.
- (2) LASERS: Judges - 11.5% if first employed on or before December 31, 2010; and 13% if first employed on or after January 1, 2011.
- (3) LASERS: Legislators - 11.5%.
- (4) LASERS: Certain court officers - 11.5% if first employed on or before December 31, 2010; and 8% if first employed on or after January 1, 2011.
- (5) LASERS: Governor and lieutenant governor - 11.5% if first employed on or before December 31, 2010; and 8% if first employed on or after January 1, 2011.
- (6) LASERS: Clerk of the House, Secretary of the Senate, and sergeant at arms of the House and Senate - 9.5% if first employed on or before December 31, 2010; and 8% if first employed on or after January 1, 2011.
- (7) LASERS: Certain correctional employees employed by the DPS&C; peace officers employed by the DPS&C, office of state police, other than state troopers; and

- personnel employed by the Dept. of Revenue, office of alcohol and tobacco control, first employed on or before December 31, 2010, - 9%.
- (8) LASERS: Wildlife agents first employed on or before December 31, 2010, - 9.5%.
  - (9) LASERS: Bridge police of the Crescent City Connection Division of DOTD, first employed on or before December 31, 2010, - 8.5%.
  - (10) LASERS: Hazardous duty personnel first employed on or after January 1, 2011 - 9.5%.
  - (11) TRSL: 8% for regular members, 9.1% for School Lunch Plan A members, and 5% for School Lunch Plan B members.
  - (12) STPOL: Members first employed on or before December 31, 2010, - 8.5%.  
Members first employed on or after January 1, 2011 - 9.5%.

Proposed law increases employee contributions for LASERS members, TRSL members employed in higher educations and STPOL members in any fiscal year in which the employer contribution rate for those systems exceeds 23%. Rates shall be increased by 1.5% of such members' first \$50,000 in salary and by 3% on any amount of salary over \$50,000.

#### EMPLOYER CONTRIBUTIONS

Present law (R.S. 11:102) generally provides the method for actuarially determining the employer contribution rate for state retirement systems every fiscal year. Such employer contribution shall be a percentage of the total payroll of active members in a given system. Requires each employer paying a portion of a member's salary to fund the employer contribution on that portion of the member's salary.

Proposed law provides that when employee contribution rates increase pursuant to proposed law, the employer contribution rate for non-general fund dollars shall be calculated as provided in present law, but that the employer contribution rate for general-fund dollars shall be calculated (reduced) based on the increase in employee contributions pursuant to proposed law.

Proposed law provides that the dollar amount difference between non-general fund dollars remitted to the system and general fund dollars shall be applied toward reducing the system's UAL.

#### AVERAGE COMPENSATION

Present law generally provides for a benefit calculation formula for members of each state system typically consisting of: (years of service) x (accrual rate) x (final average compensation).

Present law (R.S. 11:403(5), 701(5) and 1310), relative to LASERS, TRSL, and STPOL provides varying periods of FAC for members of those systems ranging from 3 to 5 years. Present law furthermore applies "anti-spiking" provisions to a member's FAC period, during which a member's compensation, for benefit calculation purposes, shall not increase by more than a certain percentage, typically ranging from 10% to 25%. FAC and anti-spiking provisions for LASERS, TRSL, and STPOL are as follows:

- (1) LASERS: Rank-and-file members hired on or before June 30, 2006, have a 3-year FAC and 25% anti-spiking. Rank-and-file members hired after such date have a 5-year FAC and 15% anti-spiking.

- (2) LASERS: Special groups such as the governor, lieutenant governor, and legislators, hired on or before December 31, 2010, have a 3-year FAC and 25% anti-spiking. Such members hired on or after January 1, 2011, have a 5-year FAC and 15% anti-spiking.
- (3) LASERS: Certain hazardous duty groups hired on or before December 31, 2010, have a 3-year FAC and 25% anti-spiking. Such members hired on or after January 1, 2011, have a 5-year FAC and 15% anti-spiking.
- (4) TRSL: Members hired on or before December 31, 2010, have a 3-year FAC and 10% anti-spiking. Members hired on or after January 1, 2011, have a 5-year FAC and 15% anti-spiking.
- (5) STPOL: Members hired on or before December 31, 2010, have a 3-year FAC and 25% anti-spiking. Such members hired on or after January 1, 2011, have a 5-year FAC and 15% anti-spiking.

Proposed law provides that every member of LASERS, higher education employees in TRSL, and members of STPOL shall have a 5-year FAC and 5% anti-spiking.

Proposed law further provides, as a transition provision, that proposed law shall not cause the average compensation of any member retiring on or after the effective date of proposed law to be less than such member's average compensation as it existed under present law when proposed law becomes effective..

Effective July 1, 2011.

(Amends R.S. 11:102(B)(1), (2)(b)(ii), 403(5), 450(B), 531(A)(1)(c), 612(1), 701(5)(b) through (e), 1304(1), 1310(A), and 1345.2(1); Adds R.S. 11:63 and 701(5)(f))